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Security Council

Fifty-eighth year

Provisional

4851st meeting

Tuesday, 28 October 2003, 3.15 p.m.

New York

President:	Mr. Negroponte	(United States of America)
Members:	Angola	Mr. Gaspar Martins
	Bulgaria	Mr. Tafrov
	Cameroon	Mr. Chungong Ayafor
	Chile	Mr. Muñoz
	China	Mr. Cheng Jingye
	France	Mr. De La Sablière
	Germany	Mr. Pleuger
	Guinea	Mr. Sow
	Mexico	Mr. Pujalte
	Pakistan	Mr. Akram
	Russian Federation	Mr. Lavrov
	Spain	Mr. Arias
	Syrian Arab Republic	Mr. Mekdad
	United Kingdom of Great Britain and Northern Ireland	Mr. Thomson

Agenda

The situation between Iraq and Kuwait

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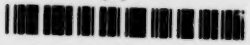

The meeting was called to order at 3.15 p.m.

Adoption of the agenda

The agenda was adopted.

The situation between Iraq and Kuwait

The President: In accordance with the understanding reached in the Council's prior consultations, I shall take it that the Security Council agrees to extend an invitation under rule 39 of its provisional rules of procedure to Mr. Benon Sevan, Executive Director of the Office of the Iraq Programme.

It is so decided.

I invite Mr. Sevan to take a seat at the Council table. The Security Council will now begin its consideration of the item on its agenda. The Security Council is meeting in accordance with the understanding reached in its prior consultations.

At this meeting the Security Council will hear a briefing by Mr. Benon Sevan. At the end of the briefing I will give the floor to Council members who wish to make comments or ask questions. As there is no list of speakers, I would invite Council members to indicate to the Secretariat if they wish to make comments or ask questions.

I now give the floor to Mr. Benon Sevan.

Mr. Sevan: In paragraph 16 (f) of its resolution 1483 (2003) the Security Council requests the Secretary-General

> "to provide the Security Council, 30 days prior to the termination of the Programme, with a comprehensive strategy developed in close coordination with the Authority and the Iraqi interim administration that would lead to the delivery of all relevant documentation and the transfer of all operational responsibility of the Programme to the Authority".

When I briefed the Security Council at its informal consultations on 29 September 2003, I noted that most of our exit strategies had been overtaken by events over which we had no control. We had planned to submit a written report pursuant to paragraph 16 (f) of resolution 1483 (2003), but prevailing uncertainties on the ground demanded flexibility and compelled us to constantly review our options for the phasing down and termination of the Programme. I therefore suggested that we report progress at least once a week to the Council, through its Committee established pursuant to resolution 661 (1990), in lieu of a written report. I thank the Council for its understanding and for its agreement with our suggested course of action.

As members know, we have provided the Committee with weekly updates, and we participate in its formal and informal meetings. We have also kept the Coalition Provisional Authority and the relevant Iraqi authorities fully informed, and have been working very closely with them to finalize the necessary arrangements for the termination of the Programme.

We have also kept Member States and suppliers informed through the Office of the Iraq Programme web site of the relevant decisions and arrangements with regard to, inter alia, the prioritization of contracts and the authentication of humanitarian supplies imported to Iraq under the Programme.

On behalf of all my colleagues involved in the implementation of the Programme, I should like to personally record our most sincere gratitude to all members of the Council and its Committee, as well as to the Chairman of the Committee, His Excellency Ambassador Gunter Pleuger of Germany, and members of his delegation for their continued understanding and support and for their cooperation with the Office of the Iraq Programme.

The United Nations will terminate the Programme on 21 November 2003, as called for in resolution 1483 (2003), and will continue to facilitate a smooth handover to the Coalition Provisional Authority, in close coordination with the relevant Iraqi authorities.

In that connection, I should like to inform the Council that in a letter dated 8 October 2003 addressed to Mr. Tesfaye Maru, Deputy United Nations Humanitarian Coordinator in the three northern governorates, Ambassador Steven Mann, Coalition Provisional Authority Senior Adviser, Oil-for-Food Transition Team, North, stated as follows:

> "In accordance with Security Council resolution 1483 (2003), and as reaffirmed by the United States in the Security Council meeting of 29 September, the Authority will assume responsibility for the phaseout and handover. There will be no further role for

United Nations agencies in directing these programmes after 21 November. This, of course, does not preclude any normal country operations that may take place in the future using non-oil-for-food funding."

In view of the common position taken by the United Nations and the CPA, I see no alternative, as I also stated in my briefing of 29 September 2003, to the transfer of assets, ongoing operations and responsibility for the administration of and remaining activity under the programme to the Authority — the Coalition Provisional Authority — "as is", together with the relevant documentation.

My statement today will set out the actions identified and taken to date in order to meet this goal. It will also list the considerable range of activities that remain to be undertaken by the United Nations, the CPA and the relevant Iraqi authorities to complete the transfer of all remaining responsibilities under the programme to the CPA in a professional and comprehensive manner and, above all, with full transparency.

I ask members to bear in mind, however, that the substance of my observations today has been compiled under the most difficult circumstances, with the unstinting support of my colleagues in the field operating in substantially reduced numbers, mostly at locations far removed from their normal working environment and, at times, without having access to all the necessary documentation.

Handing over a multi-billion-dollar programme of such complexity and magnitude during the six-month period, as mandated by resolution 1483 (2003), would have been extremely difficult even under the best of circumstances. Doing so under the current conditions of insecurity and reduced on-site staffing capacity will require a degree of realism, understanding and pragmatism, as well as flexibility from all parties involved. Despite these constraints, however, the United Nations has remained fully committed to the humanitarian welfare of the Iraqi people and its approach to the transfer of responsibilities for the programme reflects an unswerving determination to safeguard the interests of the Iraqi people.

Most of our phase-down activities have been undertaken in the three northern governorates of Dahuk, Erbil and Sulaymaniyah, where the United Nations was responsible for the implementation of the programme on behalf of the former Government of Iraq. In the north, the hand-over involves the transfer of projects, assets, inventories and relevant documentation, contracts signed by the United Nations and its agencies and programmes with international and national contractors, as well as an agreement with the CPA on liabilities and calculations concerning ongoing costs of projects after their handover to the CPA. As members know, some $8.1 billion had been allocated to the three northern governorates since the start of the implementation of the programme in December 1996.

With regard to the 15 governorates in the Centre and South of Iraq, prior to the war the role of the United Nations was limited primarily to monitoring and observing the distribution and utilization of humanitarian supplies provided under the programme. Hand-over arrangements for the Centre and South involve a tripartite review by the United Nations, the CPA and relevant Iraqi authorities of all remaining contracts for humanitarian supplies and equipment submitted under the programme. The review has covered approved and fully-funded contracts, as well as those approved but not funded. Adjustments have also been made for alternative delivery and authentication sites to enable the delivery of supplies and equipment to Iraq.

It was envisaged from the outset that these activities would take place inside Iraq. However, our preparations and best-case scenarios were undermined by chronic insecurity and, in particular, the tragic terrorist attack of 19 August on the United Nations headquarters in Baghdad, which necessitated a revision of the transfer strategy. Since then, the number of United Nations international staff and consultants has been reduced from a total of 769 countrywide to a small core group of international staff in Baghdad and Erbil. An inter-agency mission is currently in Erbil for a very short period to assist in the hand-over process in the three northern governorates. Most of the international staff have been relocated and, to the extent possible, have continued to work in Amman, Jordan, and in Larnaca, Cyprus, on programme hand-over assignments. As I informed the Council on 29 September, we had estimated that we would require at the minimum 115 international staff for an orderly transfer of over $3.5 billion-worth of completed and ongoing projects, including $1.5 billion-worth of assets, in the three northern governorates.

Given the reduction in United Nations personnel and the late deployment of a hand-over team by the CPA, the intended joint physical review of all programme assets by the United Nations, the CPA and the local authorities has not been possible. Accordingly, completed and ongoing projects and activities will be transferred to the CPA through dossiers prepared for each project and activity.

As of 27 October 2003, 3,154 approved and funded contracts worth some $6.36 billion have been classified to have relative utility. An additional 322 contracts were initially determined to have relative utility but were later assessed as either fully delivered or the suppliers were otherwise not interested in completing deliveries at this point. These contracts will not be amended by the United Nations prior to 21 November 2003, but will rather be transferred to CPA for further processing, where applicable. The number of approved and funded contracts which have not yet been included in the initial review is estimated to be 1,621, with a total value of $1.5 billion, including 775 contracts with negligible balances of less than $30 million in total.

As of 27 October 2003, 273 approved but unfunded contracts worth some $700 million have been funded following determination of their relative utility and urgent need. There remain 3,319 of approved but unfunded contracts, with a total value of $6.5 billion.

Out of the total of 3,154 contracts that have been prioritized, United Nations agencies and programmes have negotiated amendments to 1,653, representing 52.4 per cent of the total number. The United Nations agencies and programmes have repeatedly assured OIP that the amendment of remaining prioritized contracts will be completed by the deadline, now extended to 3 November 2003, unless additional lists of priority contracts are submitted just before that date. OIP has made arrangements to exceptionally process amendments received late due to reasons beyond the control of suppliers, but no later than 10 November 2003.

An urgent review will be undertaken by the United Nations of the contracts that have not been reviewed so far, in order to determine whether they have relative utility and to prepare a final list of such contracts by 21 November 2003, which we will submit to the Council. However, action is unlikely to be taken by United Nations agencies and programmes concerning contracts whose relative utility is determined after 28 October, owing to lack of time to process them. Prioritized contracts which cannot be amended by the United Nations agencies and programmes before the termination of the programme will be transferred to the CPA for appropriate action.

Furthermore, pursuant to paragraph 16 (b) of resolution 1483 (2003), action on "contracts determined to be of questionable utility and the respective letters of credit" will be postponed

> "until an internationally recognized, representative government of Iraq is in a position to make its own determination as to whether such contracts shall be fulfilled". *(resolution 1483 (2003), para. 16 (b))*

Based on the essential needs of the Iraqi people, as identified by the United Nations in coordination with the CPA and the relevant Iraqi authorities, and following my recommendation, the Committee established pursuant to resolution 661 (1990) approved, on an exceptional basis, 13 projects for the procurement of items, with a total value of $459 million, not covered by approved and funded or unfunded contracts. As of 27 October 2003, 100 contracts worth $69 million were submitted and approved under these projects in the health sector — $18 million; agriculture — $25.6 million; and education — $15.3 million. In addition, $189 million were allocated for the local procurement of wheat and barley.

As of October 2003, under resolutions 1472 (2003) and 1476 (2003), United Nations agencies and programmes had arranged the delivery of goods worth over $1 billion. Part of the goods are still at locations outside Iraq and if they cannot be delivered to Iraq by 21 November 2003, arrangements will be made for their transfer to the CPA outside Iraq.

Some of the goods are consigned to United Nations agencies and programmes under resolutions 1472 (2003) and 1476 (2003), but not yet received by them. If such goods cannot be received by 21 November 2003, arrangements will also be made for their consignment to the relevant Iraqi authority. A list will be prepared of the goods falling under those two categories and handed to the CPA before 21 November 2003.

A total of $398 million-worth of goods were established to be in transit to Iraq when the United Nations independent inspection agents were withdrawn

from the country in mid-March 2003 due to security conditions. A total value of $315 million for such goods has been prioritized so far and arrangements have been made for the suppliers of the remaining goods to be compensated under paragraph 4 (g) of resolution 1472 (2003).

The letters of credit for all contracts renegotiated and amended by the United Nations agencies and programmes will be retained by the United Nations until the contracted goods have been delivered in full and payments to the suppliers have been effected.

The collateral funds of the letters of credit related to other approved and funded contracts that were not prioritized, or could not be amended by United Nations agencies due to their late prioritization, will be transferred to the Coalition Provisional Authority for direct payment to suppliers once those contracts have been executed.

Currently, the United Nations independent inspection agent, Cotecna, is stationed at inspection sites outside Iraq, and authenticates the arrival of goods consistent with arrangements agreed upon between the United Nations, the Coalition Provisional Authority and the relevant Iraqi authorities. However, due to the fact that Cotecna personnel are not permitted to operate at the port of Umm Qasr, the issuance of authenticated confirmation for goods destined for Umm Qasr will need to be halted, unless the Authority provides appropriate indemnifications.

In addition, I should like to register considerable concern that, although one month has passed since the mechanism was agreed upon, the Coalition Provisional Authority has not provided the Office of the Iraq Programme with information regarding contact points within the port or an update concerning any arrangements made to confirm the arrival of goods. Since 10 October 2003, Cotecna has inspected 25 consignments, including 111,917 metric tons of food destined for Umm Qasr, under the revised authentication procedures, with no confirmation of receipt. If that matter is not urgently addressed, the confidence of suppliers in the authentication process may erode, which may adversely affect the delivery pipeline.

Furthermore, in July 2003, the Coalition Provisional Authority was provided with details of 21 contracts in connection with which suppliers claimed to have provided services prior to the war, which could not be authenticated due to the withdrawal of Cotecna. Despite repeated reminders, the Authority has only been able to produce a negative response in connection with two of the contracts concerned. The number of outstanding contracts with services to be authenticated has recently increased to 25, with a combined value of $4.9 million.

The Office of the Iraq Programme has adjusted its databases to include information concerning the delivery dates negotiated by United Nations agencies and programmes in connection with contracts prioritized pursuant to resolution 1483 (2003), as well as delivery locations and up-to-date contact information for suppliers.

The entire oil-for-food database will be transferred to the Coalition Provisional Authority on 21 November 2003. The Authority needs to ensure that appropriate arrangements are in place, effective 22 November 2003, for the effective management of the billions of dollars' worth of supplies and equipment to Iraq from the Programme's delivery pipeline and for authenticating the arrival of those goods in order to facilitate payment to suppliers — perhaps through retention of Cotecna's services by the Authority for a limited period after the termination of the Programme. I have been given assurances by the Authority that a final decision in that regard will soon be taken, thus ensuring the continuation of authentication arrangements beyond 21 November 2003.

With regard to the transfer of activities in the three northern governorates, the main objectives that have guided the United Nations, its agencies and programmes in their handover preparations are as follows.

The first objective is the timely transfer of the Programme's activities, projects and assets to the Coalition Provisional Authority and the uninterrupted delivery of essential humanitarian supplies and services beyond the Programme's termination, on 21 November 2003.

The second is the protection of the substantial investments made in the three northern governorates over the life of the Programme, investments worth some $3.5 billion, including fixed and mobile assets worth about $1.5 billion.

The third is the transfer of any residual obligations, commitments or liabilities of the United

Nations that could arise as a result of its implementation of the Programme.

Fourthly, there is a need to assess the adequacy of local capacity to manage Programme assets and maintain ongoing projects beyond 21 November 2003.

Fifthly, there is a need to ensure that the local authorities, which, following the hand-over to the Authority, will assume administrative responsibilities for the projects, receive all the relevant documentation needed to manage the assets and implementation of those projects beyond 21 November 2003. That includes detailed dossiers covering all projects and assets, their location and financial status.

The last objective is to make adequate provision for the payment of recurrent costs for up to 12 months. That includes salaries for national staff providing essential services and the cost of spare parts for critical equipment, beyond the termination of the Programme, on 21 November 2003. The Coalition Provisional Authority and the relevant Iraqi authorities have submitted budgets to cover recurrent expenditures. United Nations agencies and programmes have procured supplies to ensure the continuity of essential services.

To achieve those broad objectives, each United Nations agency and programme has devised individual exit strategies, based on the levels of project implementation and the possible future humanitarian involvement of the organizations concerned under their respective regular programme activities. Common to each strategy are five distinct components: first, the transfer of fully completed projects and activities, including the transfer of ongoing warranties, deferred payment and performance-bond obligations and any residual United Nations liabilities, commitments and other obligations; secondly, the transfer of ongoing projects expected to be finalized before 21 November 2003; thirdly, the transfer of ongoing projects and activities, including obligations and liabilities against local and international contracts that will continue after 21 November 2003; fourthly, the transfer of warehouse stocks, including goods in transit as at 21 November 2003; and, finally, the transfer of relevant databases of the United Nations, its agencies and programmes.

To date, 151 projects and activities, worth $1.85 billion, have been completed. As indicated during my briefing to the Council on 29 September 2003, those will be transferred to the Authority through dossiers. A further 117 projects and activities, valued at $597.51 million, are expected to be completed by 21 November 2003. The United Nations will hand over to the Coalition Provisional Authority 159 projects, valued at $1.1 billion, that will not be completed by 21 November.

With regard to agreements reached with the Coalition Provisional Authority to ensure project viability, the United Nations and the Authority have agreed that the project dossiers should contain, at a minimum, the following information: a United Nations Office of the Humanitarian Coordinator in Iraq (UNOHCI) project status checklist, including annexes, sectoral overviews and exit strategies, to provide all relevant information on completed projects, including those that have been implemented during several phases; narrative description of projects, which is all the basic information that would be needed to administer and manage the project and related files; and a list of project assets, facilities, and their respective locations. With regard to the listing and status of all completed contracts, the dossiers would highlight the status of retention fees due and any warranties in the listing. Original copies or photocopies of all contracts in the United Nations agencies' file system will be added to the dossiers. That is intended to provide guarantees to the Iraqi people that contractors who may have executed projects poorly are held liable. With regard to applicable acceptance and transfer documents, those include assets loaned or on transfer to the local authorities and final acceptance certificates.

With regard to ongoing projects to be completed after 21 November 2003, an agreement has been reached with the Coalition Provisional Authority for the funding of ongoing projects that will continue beyond 21 November. The Authority has accepted our recommendation, as also advocated by the local authorities, to fund all viable ongoing projects, estimated to total 159, at a total cost of $1.08 billion. In a letter dated 23 October 2003 addressed to the United Nations Deputy Humanitarian Coordinator in the three northern governorates, the Authority's senior adviser of the oil-for-food transition team in the north reaffirmed that

> "it is the Coalition's decision to continue current projects in the Northern Governorates after 21 November, provided that we reach a

satisfactory outcome on the transfer of contracts involving third parties".

The expected that all but a few of the ongoing projects — perhaps three or four that might not have fulfilled expectations — would be continued.

To facilitate that process, the Coalition Provisional Authority, the relevant Iraqi authorities and the United Nations are considering the establishment of a central authority to manage such projects. Details of that proposed central authority are still being worked out; they are primarily a matter between the Authority and the local authorities.

With regard to assets held by the United Nations on the last day of the Programme, on 21 November 2003, it has been agreed that on that day inventory items will be categorized as follows: stocks inside Iraq; stocks held outside Iraq; and goods in transit.

In September 2003, it became apparent that the joint inventory of assets — to be carried out by the United Nations, the Coalition Provisional Authority and the local authorities — in the warehouses would not be physically possible, owing to the prevailing security situation and relocation of United Nations international staff. Since then, the Coalition Provisional Authority has informally agreed to accept items warehoused in the three northern governorates on the basis of inventories prepared by the United Nations, subject to sampling checks by the Authority. A team of experts from the Authority has been conducting the sampling of assets in the warehouses, and its initial assessment indicates that the inventory records provided by the United Nations agencies are accurate. The team will complete its work and submit a report thereon to the Authority Senior Advisor by 31 October 2003.

An agreement has also been reached on the disbursement of locally generated funds (LGF). The Coalition Provisional Authority approved the recommendation of the high-level tripartite working group, made up of senior representatives of the United Nations, the Authority and local authorities, to disburse LGF emanating from agricultural projects in the three northern governorates. In that context, I have approved $7.7 million worth of agricultural projects, submitted by the Food and Agriculture Organization of the United Nations and endorsed by the Authority and the United Nations Office of the Humanitarian Coordinator for Iraq (UNOHCI), for funding under the LGF budget. Any LGF-funded projects that continue beyond 21 November 2003 will be transferred to the Authority under the same terms as other ongoing projects whose completion extends beyond the termination date of the Programme.

With respect to Authority responsibilities, ongoing projects and activities will be transferred in a manner similar to that for completed projects. The basic difference between the two categories of projects is the transfer of active international and local contracts and deeds between international firms and the United Nations agencies.

The Coalition Provisional Authority and the United Nations are reviewing such active international contracts in Amman, Jordan. Preliminary discussions in Amman have been positive, and we, as well as the Authority, remain confident that agreement will be reached on the transfer of such active international contracts and deeds to the Authority prior to the termination of the Programme. Details on the status of negotiations in Amman regarding active international contracts will be provided to the 661 Committee later this week.

In accordance with the relevant provisions of resolution 1483 (2003), the United Nations can transfer remaining responsibilities for the Programme only to the Authority. The Coalition Provisional Authority, in turn, will identify and subsequently hand over the responsibilities to the appropriate Iraqi entities. However, it is of paramount importance that the United Nations not be held liable for any residual commitments or obligations that may arise from such contracts.

Similar negotiations will be carried out and completed with regard to active local contracts. Currently, the Coalition Provisional Authority, working mainly with national United Nations staff and the team composed of international staff that arrived recently, is reviewing active local contracts in Iraq. The Authority will determine which local Iraqi entities will eventually take over such contracts. We are confident that arrangements for the handover of such contracts will also be completed before the termination of the Programme.

In cases where active international and local contractors demand terms and conditions that are not acceptable to the United Nations or the Authority, or where it would be cost-effective to re-bid such contracts, the Authority may advise the United Nations

to terminate them. In that event, however, the Authority should provide adequate legal commitments to ensure that the United Nations will not be held ultimately liable for any such decisions. Otherwise, the United Nations will have no alternative but to retain adequate funds to cover such liabilities.

With regard to goods held or warehoused outside the country, largely in neighbouring States, special arrangements will need to be made. This is of particular importance for those United Nations agencies that, for a variety of reasons — including lack of security, lack of warehousing space in the three northern governorates, and delays in contracting the items — maintain significant stocks outside Iraq. Currently, there is approximately $25 million worth of goods either in transit or warehoused by the United Nations agencies outside Iraq, with additional goods being shipped by the suppliers. Given that after 21 November 2003 the United Nations will not have funds available from the escrow account to continue payments for the ongoing storage and ultimate transportation, the Authority and the Iraqi authorities will need to commit themselves to providing all necessary support for delivery into Iraq. As requested by the Authority, we are currently in the process of compiling detailed information on goods in transit and warehoused outside Iraq.

As indicated earlier, the United Nations is committed to the timely preparation of dossiers on all projects and activities to enable the Authority and the relevant Iraqi authorities to manage Programme assets once they are transferred. There are four types of dossiers: those for completed projects; ongoing projects scheduled to be completed prior to 21 November 2003; projects whose completion dates extend beyond 21 November 2003; and, finally, dossiers for all assets in warehouses, as well as relevant databases. There is also a category of projects that will be terminated prior to 21 November 2003 and that still require an agreement on termination procedures and takeover of liabilities and commitments.

No agreement has as yet been reached with the Authority with regard to the databases established under the Programme that contain detailed information on issues such as key socio-economic indicators, mapping and various surveys, as well as matters which may also relate to intellectual property. We remain confident, however, that we will soon resolve our differences in that regard.

In addition to the various categories referred to earlier, special arrangements are being made with regard to goods in transit. According to United Nations agencies and programmes, more than $55 million worth of outstanding goods are being shipped, while currently, there are already about $25 million worth of goods either in transit or warehoused outside Iraq. Every effort is being made to minimize the quantity of goods to be delivered or still in transit, as of 21 November 2003.

The Coalition Provisional Authority will assume responsibility for the safety of ESC (13 per cent) account assets stored in warehouses and goods in transit within Iraq. Regarding goods in warehouses outside the country, the Authority would, on transfer of the relevant contracts and purchase orders, likewise assume responsibility for their safety.

Those commodities that relate to ongoing projects and activities will be assigned as part of the transfer of operational responsibility to the Authority, and a similar arrangement will need to be made with regard to those items that are related to maintenance of stocks.

As you well know, Mr. President, from 1999 onwards, the range of operations covered under the Programme grew exponentially to include at its conclusion some 24 sectors, including, inter alia, food, food handling, health, nutrition, electricity, agriculture and irrigation, education, transport and telecommunications, water and sanitation, housing, settlement rehabilitation, mine action, special allocation for especially vulnerable groups, oil industry spare parts and equipment, as well as construction.

Since the start of the implementation of the Programme in December 1996, approximately $65 billion worth of oil was exported. More than $46 billion of that amount was allocated to the Programme after deductions for other accounts pursuant to relevant resolutions.

I say this for the record, Mr. President, because we are convened in a formal meeting for the first time. Under the Programme, more than $30 billion worth of goods have been delivered to Iraq as a whole, including foodstuffs worth $12 billion; food handling worth $2.2 billion; agriculture worth $2.4 billion; medicines worth $2.3 billion; water and sanitation worth $1.3 billion; electricity sector goods worth $2.2 billion; housing worth $1.7 billion; and, for the oil sector, goods worth $1.9 billion. In addition, before the start of the war in

March 2003, the delivery pipeline contained goods worth approximately $10 billion, fully funded. As of 27 October 2003, over $7.56 billion worth of goods in the pipeline had been prioritized pursuant to resolutions 1472 (2003), 1476 (2003) and 1483 (2003).

A number of outstanding matters still remain to be resolved in consultations with the Authority and the relevant Iraqi authorities, with whom we have established the necessary working relations, in Iraq, Amman and at the Headquarters level. We remain confident, however, subject to security conditions, of meeting the challenge of terminating the Programme by 21 November 2003, pursuant to resolution 1483 (2003).

I wish to thank all parties for their understanding and cooperation with us in fulfilling all of the tasks entrusted to us by the Security Council.

In conclusion, I should like to reiterate what I said in the Council's informal consultations held on 29 September. The terrorist attack against the United Nations headquarters in Baghdad on 19 August 2003 was not only a heinous act of terror against United Nations personnel serving in Iraq, but also an attack on every single Member State of the United Nations. These acts of terror against humanitarian organizations have continued. The latest outrage, unequivocally condemned by the Secretary-General, was the attack yesterday on the headquarters of the International Committee of the Red Cross (ICRC). The Secretary-General has rightly described this attack on the ICRC as a crime against humanity.

On behalf of all my colleagues, I wish to express our deepest sympathy and most sincere condolences to the ICRC and to the families and loved ones of all those who were killed or injured.

Finally, I also wish to appeal to all Member States to close ranks, condemn in the strongest terms the terrorist attacks and take all necessary measures to provide for the safety and security of all humanitarian personnel. I also appeal to all Member States that have not yet done so to sign the Convention on the Safety of United Nations and Associated Personnel.

The President: Thank you, Mr. Sevan, for your very comprehensive briefing to the Council.

Before turning the floor over to the first representative on my list of speakers, I believe all Council Members join me in extending our condolences to the International Committee of the Red Cross and to the families of all of those who were killed or injured and in joining in the Secretary-General's condemnation of this horrible crime.

Mr. Pleuger (Germany): First of all, I would like to thank Mr. Sevan for the very complex and comprehensive information that he provided to the Council, and I would also like to take this opportunity to thank him and his team for the very good cooperation that he has extended to the committee established pursuant to resolution 661 (1990), to me personally and to my team. I also thank him for the friendly words addressed to me and to my team.

Mr. Sevan started by quoting paragraph 16 (f) of resolution 1483 (2003). This paragraph aims at maximum transparency and continuity in the process of transition. This is the goal that we are trying to achieve in these last few weeks of the oil-for-food programme. Whereas the programme will be terminated on 21 November, everything possible has to be done to enable a maximum of continuity in order to avoid disrupting deliveries and creating a difficult situation for the people in Iraq.

Taking into consideration the high importance of transparency and continuity in the transition of the oil-for-food programme, I would like to encourage the parties involved to consider the following steps to be included in the exit strategy, as we have discussed this many times in the 661 Committee and also with the Office of the Iraq Programme (OIP).

First of all, we feel that the OIP should define a mechanism for early information to suppliers of non-prioritized contracts. We would suggest publishing such non-prioritized contracts by early November because it is only fair to tell the suppliers whose contracts have not been prioritized, so they can know about this as early as possible.

Secondly, we also feel there should be clear-cut criteria as to why contracts have not been determined to be of relative utility. This is of particular importance for high-priority sectors and I think this is also a priority for transparency, to tell people what the criteria are for relative utility and for not giving contracts this stamp of approval with respect to relative utility.

Thirdly, the renegotiation of all contracts and their amendments might well not be completed by 21 November. Only 52 per cent of the prioritized contracts

have been amended so far. In saying this, I do not mean to criticize the involved United Nations agencies, which are, to our knowledge, doing everything possible to complete this task on time. However, given that there are only three weeks remaining until 21 November and taking into account the need for suppliers to make arrangements for deliveries in a timely manner, we have to inform now all concerned on how to proceed as of 22 November.

Maintaining continuity in the delivery pipeline and having clarity about procedures vis-à-vis suppliers are different sides of the same coin. Only if the suppliers know in time which procedures to follow can disruptions be avoided. Obviously, deliveries for 22 November are being prepared now, not on 21 November. If we do not want to risk delivery disruptions, the Coalition Provisional Authority will have to come forward with clear information in the very near future, rather than waiting until the end of the programme.

We have heard from Mr. Sevan that the OIP has internally decided to already stop the amendment of prioritized contracts in general on 3 November and in exceptional cases on 10 November. Given the relatively low rate of amended contracts so far, we have strong doubts that this decision will allow us to complete the amendment process.

We would like to raise the question as to whether it would not be much better to show more flexibility towards the internal deadline for renegotiations by United Nations agencies.

In the last meeting of the 661 Committee, the United Nations Treasury informed members of the Committee that it will continue to also amend letters of credit of amended contracts after 21 November. I wonder why we should not give the United Nations agencies the same flexibility to complete the process of renegotiation and amendment of contracts if necessary.

Such flexibility would not require an extension of the deadline set by resolution 1483 (2003). Nor would it be in contradiction with the concept of transfer of operational responsibility to the Coalition Provisional Authority. But it would allow us to execute this transfer in an economical manner. The United Nations agencies could complete the amendment of contracts in coordination with the Coalition Provisional Authority after 21 November, as, by the way, the Treasury will do anyway with regard to the necessary amendments to letters of credit. Remaining paperwork would thus not have to be transferred to the Coalition Provisional Authority, thus avoiding further probable delays. The OIP, of course, would no longer be involved in this.

As regards authentication after 21 November, from our point of view and again for reasons of continuity, we would also encourage the Coalition Provisional Authority to continue using the services of Cotecna and the newly established alternative entry points after the termination of the programme.

As regards payment arrangements as of 21 November, here we see two possible developments. In the best case, which I understand still forms the basis for the Coalition Provisional Authority's related planning, all prioritized contracts will be amended by 21 November. The funds allocated to all prioritized and amended contracts will then remain in the United Nations escrow account and payments to suppliers will then be executed as in the past.

However, if this best case does not materialize — and nobody can exclude that possibility — then not all prioritized contracts will be amended by the end of the programme. We should then proceed in a fair and transparent manner, and that means, in particular, that payment arrangements for suppliers in this case should not depend on the status of renegotiations of their contracts.

I think it would be important for a smooth transition of the programme if we could agree on the principle that all funds allocated to prioritized contracts will remain in the consolidated United Nations escrow account after 21 November irrespective of their status of renegotiation. In general, it is not the supplier's responsibility if his prioritized contract is not amended in time. Therefore, he should not be confronted with modified procedures and uncertainties that he cannot influence and that are not a consequence of his own actions.

Lastly but not least, I should like to comment briefly on the problem of the transfer of funds. The volume of the necessary transfer requires maximum transparency. At the last formal meeting of the 661 Committee, the United Nations Treasury was not in a position to inform us as to when, how many and specifically which funds were to be transferred. We believe that a response to those questions is essential for a transparent termination of the oil-for-food

programme. We look forward to receiving the requested information.

Mr. Arias (Spain) (*spoke in Spanish*): I thank Mr. Sevan for his briefing, and I want to express my delegation's appreciation for his work and for his clear, comprehensive and well-written report. Because this programme must conclude on 21 November, we also wish to congratulate the staff of the Office of the Iraq Programme and United Nations agencies for their immense efforts to facilitate the procedures for liquidating outstanding contracts by that date.

I should like to share a couple of my delegation's concerns. After the last meeting of the Security Council Committee established pursuant to resolution 661 (1990) concerning the situation between Iraq and Kuwait, we were concerned that a number of contracts that were approved with funds in due course had not been prioritized on time. It is said that 19 or 20 per cent of the contracts in that category could remain unexecuted. This should be perfectly justified so that frustration does not grow among suppliers.

We are also concerned at the pace of the renegotiation of already prioritized contracts, which, to date, total only 52 per cent. We want to warn of the need to clarify the renegotiation mechanism after 21 November for prioritized contracts that could not be renegotiated on time. The possibility that a large number of contracts will not be able to be renegotiated on time and will remain unexecuted is a matter of great concern to many people. That is why — considering that the Office has already said that even with every possible effort, it would not be realistic to believe everything will have been renegotiated before 21 November — we should like to know about the mechanisms to be provided to continue renegotiation after that date. We want the programme's termination to enable those involved to know the mechanisms for executing contracts in the future. Therefore, we wish to obtain clarifications on merchandise authentication mechanisms and payment methods beginning on 21 November.

I wish to reiterate my appreciation and thanks to Mr. Sevan.

Mr. Tafrov (Bulgaria) (*spoke in French*): I, too, should like to thank Mr. Sevan for his extremely detailed and in-depth briefing and for the extraordinary work that he has contributed to concluding the oil-for-food programme. The conclusion of a programme of that scale and complexity in the space of six months is an extremely difficult task that is made even more difficult by the security problems experienced by the United Nations in Iraq. In that connection, Mr. President, I should like to fully associate myself with the condolences that you expressed on behalf of the Council to the families of the victims of the recent attacks against the International Committee of the Red Cross. Bulgaria agrees with the Secretary-General that they are true crimes against humanity.

Bulgaria welcomes the important efforts of Mr. Sevan and his team to conclude the programme. Thanks to their efforts, 3,554 contracts have been approved and financed, while 273 are still not financed. Under resolution 1483 (2003), the process of defining priorities must continue until 21 November 2003. However, because of an internal decision, 3 November and 10 November, respectively, have been set as deadlines for the prioritizing process in that context. We believe that, as was said at the last 661 Committee meeting, it is urgent that there be a plan to accelerate the process of renegotiating financial amendments to those contracts.

That would be one of the solutions to that problem, which, as we saw earlier, concerns other delegations also. Renegotiating financial amendments to contracts is a guarantee for suppliers and their legitimate interests. Obviously, there are other solutions to the problem that were outlined by preceding speakers.

In order to meet the needs of the suppliers and the Authority, the Office of the oil-for-food programme should accelerate the process of channelling the authentication of deliveries at the border. Our expectation is that the Authority will resolve the problem of implemented contracts under which deliveries were made when military operations began but were not authenticated because of Cotecna's withdrawal.

We welcome the fact that 268 projects in the northern governorates will be completed by 21 November 2003 and, with several exceptions, approximately 59 projects will be continued until 22 November 2003. At the same time, we wish to take note of the fact that only the Authority can function as intermediary in the process of transferring projects in the northern governorates.

In conclusion, I should like to express my delegation's appreciation to Ambassador Pleuger, Chairman of the 661 Committee, and his team.

Mr. Lavrov (Russian Federation) (*spoke in Russian*): We join others in expressing sympathy to the families of all those who have been killed or injured in the terrorist attacks in Iraq. It is our firm position that the methods resorted to by terrorists cannot be tolerated.

We thank Mr. Benon Sevan for his very detailed briefing. The work to wind down the humanitarian programme is now reaching its final stage. It is very important that this entire issue be reviewed regularly in the Security Council and the sanctions Committee.

We are grateful to the Secretary-General and his representatives for the work that has already been done and is still being done on this matter. Resolution 1483 (2003) set the Secretariat a number of very difficult tasks. Carrying them out has been made even more difficult because of the severe worsening of the security situation in Iraq. Nonetheless, we are convinced that at this point not all possibilities have been exhausted for the efficient conclusion of the work of the humanitarian programme. In particular, it will be necessary to step up efforts to identify priority contracts using the working mechanism involving the specialized agencies of the United Nations, the Coalition Provisional Authority and Iraqi representatives.

As of 21 November, some 1,600 funded contracts — about $1.5 billion worth — are not among the prioritized contracts. These include not only those that have not been classified as being of relative utility but also those that have simply not been reviewed by the tripartite group.

Given the dismal situation of the Iraqi economy, and in the light of the contribution that could be made to reconstruction by deliveries through the humanitarian programme, we believe that by 21 November, using the current system for prioritizing, all of the funded contracts must have been reviewed. This is a particularly important issue now, because it is not clear whether prioritization will be continued in future by the Coalition Provisional Authority. In order to ensure the proper monitoring of this process, we would suggest requesting that the Office of the Iraq Programme include in its weekly briefings to us detailed information about how many contracts were not given priority status, and for what reason.

We are also extremely concerned about the issue of reaching agreement on conditions for the execution of prioritized contracts between the United Nations specialized agencies and the suppliers. The humanitarian programme will be drawing to a close very soon, but the number of contracts that have been amended is still too low. As a consequence, by 21 November the execution of many priority contracts could be in doubt. They are contracts for the delivery of goods, for which there is an acute humanitarian need. The importance of the swift execution of contracts has been noted by the Iraqi Government and representatives of the Coalition Provisional Authority.

Of course, we expect the United Nations agencies and programmes to do their utmost to ensure that this work is completed by 21 November, and that will determine the assessment and work of the Council on terminating the humanitarian programme. We cannot under any circumstances allow priority contracts not to be delivered to the Iraqi people simply because there is no time for their proper technical handling.

We welcome the deployment of the new mechanism for the delivery of humanitarian supplies and the confirmation of payments to countries neighbouring Iraq. At the same time, we are worried about the lack of clarity as to how the mechanism will continue after 21 November. Particularly worrying are the current delays in authenticating the delivery of supplies at the port of Umm Qasr. Many suppliers have begun to shift their deliveries to places where Cotecna personnel are located. If we wait until Cotecna's authority ends under resolution 1483 (2003), there will be large amounts of humanitarian goods stockpiled at the ports of entry.

It is important for the Coalition Provisional Authority to inform all possible exporters in good time about future arrangements for deliveries. We trust that that will be done in the very near future.

Three weeks before the termination of the humanitarian programme, too many problems are interfering with its proper winding down. We appeal to all the parties involved to make every effort to ensure that the final result of their work meets the needs of the Iraqi people and responds to the legitimate interests of the suppliers.

Mr. Thomson (United Kingdom): I begin by associating my delegation with your remarks, Mr. President, and those of the Secretary-General, condemning the attacks that took place yesterday in Baghdad, including those against the offices of the International Committee of the Red Cross. Such terrorist attacks will not deflect the international community from its determination to assist the people of Iraq in the reconstruction of their country.

I also want to express my warm appreciation for the briefing that Mr. Benon Sevan has given us today. The detail, the complexity and the many challenges that that account revealed provides further evidence of the commitment that Mr. Sevan and his colleagues in the Office of the Iraq Programme, as well as other collaborators in other United Nations agencies, have brought to their task — in challenging circumstances — of ensuring a successful transition consistent with the objectives that the Council set in resolution 1483 (2003). They all deserve the Council's gratitude.

I want to focus on a limited number of aspects of the coalition's work under resolution 1483 (2003), in particular questions to do with contracts, questions to do with the three northern governorates, and issues surrounding transparency and continuity. The coalition has approached these questions with the sense of pragmatism, realism, flexibility and focus on the needs of the Iraqi people that Mr. Sevan emphasized in his briefing. That has been our approach from the beginning of this process, and it will continue past 21 November, when all operational responsibility for the oil-for-food programme is transferred to the Coalition Provisional Authority.

Since the adoption of resolution 1483 (2003), a significant amount of work has been done — not just by the Authority, not just by United Nations staff, but also by Iraqi officials, to ensure that successful arrangements are in place for the termination of the oil-for-food programme. That tripartite process, which is spelt out in resolution 1483 (2003), has produced real progress. We acknowledge that there is still significant work to be done between now and 21 November, and we recognize that there have been difficulties along the way. But we are confident that the oil-for-food transition will, as Mr. Benon Sevan expected, be completed on time and in an effective manner.

I wish to make some comments about the contracts process. As we have heard from Mr. Sevan, the tripartite review process has prioritized more than 3,100 contracts worth over $6.3 billion. We are concentrating on these contracts, working closely with our Iraqi counterparts to ensure the timely delivery of these contracts in Iraq. In doing this, we have been guided by the advice of Iraqis on the ground, not the more remote processes of the past of decision-making in New York. The prioritization process has been based solely on the assessment of whether the goods were of relative utility — the criterion contained in resolution 1483 (2003).

Coalition and Iraqi Ministry officials are currently engaged in developing an effective transition strategy to ensure the efficient delivery of goods as well as adequate warehousing and inventory management. We want to confirm that the Authority will continue to honour its existing commitment to support the fulfilment of all prioritized contracts. We continue to rely on the United Nations agencies involved to retain their focus and stay on track to complete the renegotiation of all prioritized oil-for-food contracts by 21 November. Delays in doing so would simply undermine the reconstruction effort in Iraq.

I should like to say a few words on the three northern governorates. A similar tripartite process has looked at oil-for-food projects destined for those three northern governorates. Approximately $800 million in projects — projects such as electricity plants and the construction of schools and hospitals — will continue to be overseen after the 21 November deadline until their completion. A project oversight board, led by Iraqi officials and linked to a central Iraqi authority in Baghdad, will take over programme management functions that were previously held by United Nations agencies.

In that context, it is worth noting that the local authorities in the north have this month been handling the distribution of food, supervised by the World Food Programme, and they are on schedule to take over full responsibility by 21 November.

Vital to the Coalition's work in developing transitional arrangements for the three northern governorates is the provision by United Nations agencies of dossiers for the oil-for-food projects that will continue after 21 November. Those dossiers are essential from the perspective of programme administration, for rewriting contracts and providing

the Authority with financial data essential for budgeting purposes. I am bound to note that dossiers from the United Nations Children's Fund (UNICEF), the United Nations Educational, Scientific and Cultural Organization (UNESCO) and the World Health Organization are still outstanding, despite repeated requests from the Coalition. We very much hope that those agencies will transmit those dossiers to the Coalition as rapidly as possible.

We intend to continue consulting United Nations colleagues and drawing on their expertise in key areas to ensure that the transition of oil-for-food projects in the three northern governorates is effective and orderly.

Finally, I should like to say a few words on transparency and continuity, including the question of authentication of oil-for-food supplies once the oil-for-food programme is terminated.

We understand the concerns expressed by a number of Member States about the lack of clarity on future arrangements and the need to know more about how the Authority will manage this process after 21 November. The Authority also recognizes the need for continuity in the authentication of oil-for-food supplies. We realize that suppliers prefer a familiar system. So, in response to Ambassador Pleuger's questions, I want to say that the Coalition is focused on designing a sustainable and predictable goods-authentication system that will pose no problem to suppliers. Measures are in hand for the uninterrupted authentication of deliveries after 21 November. Full details will be available very soon and will be circulated to the Security Council.

The issue of transparency is of vital importance to the Authority itself. To that end, we support the regular informal meetings of the Iraq sanctions Committee that have been hosted by the German delegation, which have helped focus Council members on the many important issues related to the transition. We would like to continue to make use of these meetings to update Council members on the various strands of our work as we move towards the 21 November deadline.

We intend, during a forthcoming meeting of the Security Council Committee established pursuant to resolution 661 (1990), to distribute a detailed summary of the Coalition's overall approach to arrangements after 21 November. This will be posted on the Authority's web site and will be accessible to suppliers. We hope that this document will address many of the concerns expressed by the German and Russian ambassadors today. We will continue to ensure that Security Council and non-Council members are kept informed as these plans evolve.

A point was raised by Ambassador Pleuger about giving timely notice to suppliers whose contracts are not prioritized. Perhaps I could just note that a number of contracts were recently received by the Office of Iraq Programme for processing just in the last couple of days. It is not easy for the Authority to produce a definitive final list of contracts that are deemed to have no utility, but we would hope to be in a position in the near future to provide the Office with such a list, which should inform suppliers of the status of their contracts.

Throughout this process of transition, starting with the adoption of resolution 1483 (2003), the Coalition has had one objective firmly in mind, and that has been to ensure that the needs of the people of Iraq are addressed through the efficient and effective mobilization of oil-for-food supplies. That will continue to be our primary objective, now and through 21 November and beyond.

Finally, I should just like to note that, while security in Iraq is indeed a limiting factor at present on the role of the United Nations, we look forward to a continuing productive and cooperative working relationship with relevant United Nations agencies. Following the end of the oil-for-food programme, capacity-building in areas such as procurement, inventory management and transition to private-sector provision will be crucial. In each area, as circumstances permit, the outside expertise and resources of United Nations agencies, as well as of donor Governments, will greatly assist the people of Iraq as we help them move their country towards economic self-sufficiency and prosperity.

Mr. Mekdad (Syrian Arab Republic) (*spoke in Arabic*): I wish at the outset to thank you, Mr. President, for convening this meeting. We also wish to commend Ambassador Pleuger and the other members of the Security Council Committee established pursuant to resolution 661 (1990) for their accurate and direct work. I wish to join other Council members in expressing condolences to the families of staff of humanitarian agencies, particularly the International Committee of the Red Cross (ICRC), who lost their lives in the attacks on international personnel. We fully condemn those unacceptable attacks.

Allow me also to express our gratitude to Mr. Benon Sevan, Executive Director of the Iraq Programme. I wish to express our appreciation, through him, for the efforts made by the Programme's entire staff, who have carried out their work with professionalism, integrity, sincerity and dedication.

Ambassador Pleuger, Chairman of the Security Council Committee established pursuant to resolution 661 (1990), commented in his brief but comprehensive and accurate statement on all aspects of the ordered and streamlined termination of the work of the oil-for-food programme. We echo all the concerns he raised regarding that process. We believe that that is a very complex and important process that involves two elements: the rights of companies, contractors and suppliers and the humanitarian needs of the Iraqi people — which are our central concern. But we must uphold and respect the rights of the companies that have worked with the programme and have helped implement the relevant Security Council resolutions.

Consequently, we believe that what preceding speakers have said about the need to establish clear criteria is very important, so that contractors and companies can know how priorities have been determined and why some contracts have not received priority or been accepted. Those companies must be informed of the status of their contracts and be given any information relevant to the authentication of goods entering Iraq, points of entry, contact points at ports, and the changes to take effect after 21 November. It is only natural, in this respect, to emphasize that we need to continue the amendment of contracts until the 21 November deadline and to consider flexible mechanisms to deal with these matters after that deadline.

We believe that it is also important to show flexibility with respect to the deadline. For example, contractors whose contracts have received priority are not to blame if their contracts have not been amended before 21 November. Several other important points were addressed by preceding speakers, and they should all be considered seriously. The companies and contractors who have been working with the programme since 1996 deserve our respect, cooperation and all due truthfulness and scrupulousness until the end of the Programme.

In conclusion, I am confident that those in charge of the Office of the Iraq Programme, led by Mr. Sevan, will deploy all the efforts necessary to attain its noble objectives.

Mr. Akram (Pakistan): I would like to join in thanking Mr. Benon Sevan for his comprehensive briefing this afternoon on the process of phasing out the oil-for-food programme.

It is clear from Mr. Sevan's report that the current situation in Iraq has affected the winding down of the oil-for-food programme. A number of problems currently exist in Iraq, as is evident from news reports. As in Afghanistan, the primary problem is security, which has necessitated the reduction of staff in Iraq. The security problem has also negatively impacted humanitarian activities in Iraq.

Pakistan joins in condemning the recent attacks on humanitarian organizations in Iraq, particularly the International Committee of the Red Cross (ICRC), and on other targets. These attacks have increased the sense of insecurity of the people of Iraq. We extend our condolences to the bereaved families of those who have lost their lives.

The security situation has also curtailed the capacity of the United Nations to engage with the Coalition Provisional Authority and with the Iraqi ministries to contribute to the decision-making process and, ultimately, to help the Iraqi people voice their preferences and their aspirations.

We have taken note of the actions initiated by the Office of the Iraq Programme to complete the transfer of the oil-for-food programme to the Coalition Provisional Authority by 21 November. We would be interested to know when the Office of the Iraq Programme will be able to complete the review of the contracts to determine their relative utility. Will the Coalition Provisional Authority and the Iraqi ministries be asked to provide their inputs in that review? Will there be a new procedure for the implementation of the contracts that are thus identified? The representatives of the Coalition Provisional Authority may also wish to throw light on these issues.

With regard to inspection and authentication procedures, Mr. Sevan expressed concern in his report regarding slow cooperation by the Coalition Provisional Authority, particularly regarding the provision of information about contact points within ports or an update concerning any arrangements made to confirm the arrival of goods. We hope that those

issues too can be addressed by the Coalition Provisional Authority as soon as possible.

We would like to know what will be the status of the United Nations local staff — the Iraqi staff — involved in oil-for-food programme activities. Is it the intention that their services should be continued after the termination of the programme? We would be very interested to receive answers to those questions.

Mr. Muñoz (Chile) (*spoke in Spanish*): On behalf of Chile, I join my colleagues in the most vigorous condemnation of the most recent criminal attacks, including against the International Committee of the Red Cross (ICRC). Those attacks follow in the wake of the attack against the office of the United Nations itself, which took the life of Sergio Vieira de Mello. This only increases appreciation for the humanitarian assistance provided by the oil-for-food programme and the work led by Mr. Benon Sevan, Executive Director of the Office of the Iraq Programme (OIP).

From now on there is a true challenge, involving much detail: the many projects taking place and the necessary coordination between the various actors, especially in the light of the current security situation in Iraq. That certainly adds a sense of realism, which was imparted to us by Mr. Sevan in his statement. But we must not lose sight of our main objective, making the transfer from the oil-for-food programme to the Coalition Provisional Authority a reality in a gradual and orderly fashion, leading up to next 21 November. What is most important is that the programme, in its future phase, continue to meet the needs of the Iraqi people.

We hope that all the matters highlighted by the Executive Director in his report to the Council on 29 September as points that had not yet been resolved, points on which there was no agreement, can be fully resolved, in order to best conclude, on time, the transfer process. We note that some of these topics have actually been settled as was noted in Mr. Sevan's briefing.

On the other hand, we acknowledge that it has been necessary to work very hard to manage, organize and perform the many contracts on products currently in transit, as well as those approved and funded at the start of the conflict. This work, according to information we have received in the Committee established pursuant to resolution 661 (1990) has not concluded, and is currently being performed in coordination with the Coalition Provisional Authority. We believe that it must be accelerated, so that it is finished, or, if this is not possible, is as advanced as possible, before the handover to the Coalition Provisional Authority. We trust that that will be achieved.

We are also concerned about the security of goods under United Nations responsibility in Iraq in installations or warehouses, goods that have not yet been distributed and will be transferred at the end of the programme.

We have a few questions. We understand that in neighbouring countries there is a large amount of merchandise acquired by the programme and warehoused in storage units. This merchandise must either be transported to Iraq or agreement on its custody must be reached with the countries concerned. Who will make those arrangements? Would it be possible to make them before the United Nations handover? On the other hand, are there any agreements or understandings needed to transfer the goods under the 2.2 per cent account relating to the implementation and administrative costs of the programme for the United Nations?

We repeat our acknowledgement of the oil-for-food programme, which has been so important in bringing the people of Iraq great humanitarian assistance and helped better the living conditions of the Iraqi population, especially women and the weaker members of society, which is the very reason for the United Nations presence in Iraq.

Mr. Pujalte (Mexico) (*spoke in Spanish*): First, my delegation extends its condolences over the deaths and injuries caused by the recent attacks in Iraq. We condemn in the strongest terms the attack on the offices of the International Committee of the Red Cross. Resolution 1502 (2003) described such conduct — attacks on governmental and non-governmental organizations that work for and defend human rights — as war crimes and called for the punishment of those responsible. There is absolutely no justification for attacks against humanitarian organizations, which seek to work for the benefit of the peoples of the countries in which they are located.

I thank the Executive Director of the Office of the Iraq Programme, Mr. Benon Sevan, for his very detailed and thorough briefing, and extend our

appreciation to him for the work he has done at the head of the Office.

We are well aware that the time frame in resolution 1483 (2003) for termination of the Programme is very short, involving extraordinarily intensive work to try to comply with that schedule. My delegation agrees with the proposal by the Ambassador of Germany, Gunter Pleuger, to give the United Nations offices sufficient flexibility to complete the process of renegotiating and amending contracts. That would help ensure continuity and transparency in the process.

I have only two questions for Mr. Sevan.

Paragraph 7 of resolution 986 (1995), under which an escrow account is to be established, says that independent and certified public accountants should be appointed to audit the account. My first question to Mr. Sevan is: does he know when last there was an audit of the escrow account?

Secondly, will there be another audit before the entire programme is transferred to the Coalition Provisional Authority?

Mr. Cheng Jingye (China) *(spoke in Chinese)*: I join other speakers in strongly condemning yesterday's attack against the International Committee of the Red Cross.

The Chinese delegation thanks Mr. Sevan for his detailed and comprehensive briefing. We highly appreciate the arduous work of the Office of the Iraq Programme and all those involved in the phase-out of the oil-for-food programme, under special, very difficult circumstances. The successful phasing out of the programme directly concerns the humanitarian needs of the Iraqi people and the practical interests of suppliers from various countries. We hope that the parties concerned will work together to ensure an orderly, transparent and comprehensive transfer of responsibilities.

In this connection, I wish to emphasize two points. First, we have taken note of the fact that approximately 52.4 per cent of the contracts have been amended. We believe that it is necessary to ensure that the amendment of the remaining contracts is completed. Secondly, we believe that it is necessary to accelerate the authentication of goods. We also believe that, after 21 November, the Coalition Provisional Authority should take effective measures to ensure the ongoing implementation of the authentication procedure.

Mr. Chungong Ayafor (Cameroon) *(spoke in French)*: I should like to convey Cameroon's sincere condolences to the International Committee of the Red Cross over Monday's attacks on its headquarters in Baghdad and on other Iraqi buildings. We extend our condolences to all the families affected by these tragic events, which are unforgivable and unequivocally to be condemned.

I should like to welcome Mr. Benon Sevan and to thank him for his excellent briefing on the oil-for-food programme. We are particularly grateful for the information he gave us on the exit strategy scheduled for 21 November. My delegation has full confidence in the resolve and capacity of all the parties involved — the Coalition Provisional Authority, the Governing Council and the Office of the Iraq Programme — to work closely together to ensure a successful transition.

We welcome the progress made in the ongoing selection of so-called priority contracts, the amendment of those contracts and the settlement of litigation related to the 10 per cent deduction applied to petroleum and petroleum-product contracts. We also welcome progress in the authentication of deliveries of supplies and the issues involved in methods of paying suppliers. More specifically, with respect to the renegotiation of contracts under paragraph 16 of resolution 1483 (2003), we encourage the Office of the Iraq Programme and the other United Nations agencies involved to pursue their efforts to improve the current margin. However, given the relative utility of the contracts and the time frames, which are shrinking daily, we feel that it will not be possible to renegotiate all the contracts before 21 November. We feel that, whatever progress is made in renegotiation, the 21 November deadline should be respected, pursuant to resolution 1483 (2003).

As regards pending payments, it is important that they be made for all amended contracts where letters of credit have been issued. Thus, we welcome the decision of the Treasury to continue payments even after 21 November 2003. We encourage BNP Paribas to enhance its capacity to handle its responsibilities in this process as speedily as possible.

As for what is to happen after 21 November, in the interests of transparency we urge the Coalition Provisional Authority to provide further clarification

on arrangements to follow the termination of the current United Nations presence. We therefore believe that talks that have begun must continue and be further intensified and deepened. We are particularly concerned about oil-for-food projects in the northern governorates of Iraq.

Lastly, we are convinced that, following the Madrid conference, the international community will be able to pursue its efforts towards the recovery of Iraq beyond 21 November. That is essential right now in order to meet the humanitarian needs of the Iraqi people and to support them as they seek to regain full control of their fate.

Mr. Gaspar Martins (Angola): I will be brief. I see that Mr. Sevan has a lot to do before he can finalize his mammoth work by 21 November and be ready to hand over authority.

I should like to begin by joining other colleagues in expressing our most strong condemnation of the acts of terrorism that we have seen, the latest of which was perpetrated yesterday against the International Committee of the Red Cross. Such acts definitely render even more difficult the work that needs to be done.

Handing over a programme as complex as the oil-for-food programme within six months, as mandated by resolution 1483 (2003), must be extremely difficult. It is clear that the challenges facing the Office of the Iraq Programme are multifaceted and that the time leading up to the termination of the programme will be one of truly intensive work. It will involve the acceleration of efforts not only to complete projects, but also to undertake other essential activities, such as the provision of essential humanitarian goods and services to the population, while carrying out the phase-down and termination activities of the programme, including the necessary arrangements for the transfer of projects and assets up to 21 November. It is essential that no void should be created. To that end, we would welcome a smooth transition in the delivery of the humanitarian programme.

The deterioration of security conditions, and particularly the reduction of United Nations staff in Iraq from 769 to a core number and the redeployment of the United Nations independent inspection agents, will badly affect the prioritization of contracts, as well as the negotiation and amendment of contracts, especially those oriented to central and southern Iraq.

There is indeed a mammoth job to be done until 21 November. We commend Mr. Sevan and his team in the Office of the Iraq Programme for the admirable efforts they have made. I am sure that the Coalition Provisional Authority and the relevant authorities in Iraq will assume full responsibility and, in particular, provide the Council with briefings, in compliance with the relevant Security Council resolutions. My delegation takes note of the assurances that have been given to us this afternoon by Mr. Thomson on behalf of the Coalition Provisional Authority.

Of the countries listed in the *Arab Human Development Report 2002*, Iraq ranks 110 out of 111. That gives us a clear indication of the challenge we face. The ravages of war and the constant insecurity we have witnessed certainly serve to greatly exacerbate the situation and to aggravate the challenges we need to face. We think that the determination that has been shown by Mr. Sevan's team — which I think will be taken over by the authorities now in charge — provide us with more confidence that that situation will be transformed, despite the war situation. Sometimes war not only prevents things from being done, but also challenges us. The targets that have been presented with regard to delivery by the Office for the Iraq Programme provide good benchmarks for the post-Madrid period. I look forward to seeing the situation improve through the efforts and watchful presence of the Council.

Mr. De La Sablière (France) (*spoke in French*): I join others in vigorously condemning attacks such as those that took place yesterday, especially the one launched against the office of the International Committee of the Red Cross. As the Secretary-General rightly said, that attack was a crime against humanity. I also associate myself with the condolences expressed by the President and by others to the International Committee of the Red Cross.

I would first like to thank Mr. Benon Sevan for his briefing and for the written report distributed to delegations. We also wish to pay tribute to all of his colleagues in New York, Amman and Iraq, who have spared no effort in preparing for the end of the programme. Our shared goal is that the transition process to end the oil-for-food programme be successful, and that the programme's disappearance from the stage not lead to an interruption of supplies, humanitarian assistance or equipment essential to the reconstruction of vital sectors in the country.

As the Secretary-General stated at the opening of the Madrid Conference, the stakes are high. Over 60 per cent of the Iraqi people continue to depend upon the programme directly for their survival. A successful transition presupposes that a maximum number of existing contracts will be chosen to meet the urgent needs of the Iraqi people. Success will depend also upon continuity in the execution of prioritized contracts and upon the delivery of merchandise and equipment after 21 November. All of that also presupposes that, above and beyond reassuring speeches about the efforts of the United Nations and the Coalition Provisional Authority, concrete replies must be provided without delay to outstanding questions pertaining to how the period after 21 November will be organized.

In that regard, I fully agree with what Ambassador Pleuger has proposed. There are, however, five points that are of particular concern to us.

First, it is important that the selection of prioritized contracts continue up until 21 November. I would recall that, currently, only 81 per cent of approved and financed contracts have been selected. The programme is a tool, and it is in the common interest that it be used as much as possible — particularly within the current context, when the private sector appears reluctant to become involved in reconstruction, which itself is late in getting started. That tool is all the more important because the concerns about Iraq's capacity to absorb investment — concerns expressed, inter alia, by the World Bank and the United Nations Development Programme — are increasingly proving to be justified.

Our main concern here has to do with transparency. Non-priority contracts must not appear as a mere residual category at the bottom of the list of contracts selected as priority contracts. Paragraph 16 (b) of resolution 1483 (2003) refers to non-priority contracts as contracts that may be determined to be of questionable utility. Contracts that have not been selected as priorities should therefore, in accordance with resolution 1483 (2003), be subjected to careful review and sound decision-making. Generally speaking, we believe it essential for the list of contracts that have not been retained because they have been deemed to be of relatively low utility to be made public before 21 November. A clear statement setting out the reason for non-selection of those contracts should also be made, and suppliers should be contacted and informed.

Secondly, the process of renegotiating and amending priority contracts prior to the transfer of responsibilities from the United Nations to the Authority is an essential component in ensuring the effective execution of priority contracts after 21 November. The current pace must be maintained, and we urge agencies to do their utmost to amend as many contracts as possible by between 21 November, without setting any artificial internal deadline prior to that date. However, the current pace — and I would remind the Council that 52 per cent of contracts have been renegotiated — does not lead one to conclude that all priority contracts will be renegotiated by 21 November, a date on which there will likely be a backlog of unamended contracts. It is essential to ensure continuity in the process beyond 21 November; otherwise those contracts cannot be executed, which will entail a cost to the Iraqi people and its economy.

It is a matter of concern to us that the Coalition Provisional Authority does not yet seem to have provisions in place for the period after 21 November. In that regard, decisions must be taken on an urgent basis, and efforts must be made to inform suppliers. It seems to us that in order to minimize breakdown and uncertainty for suppliers and to ensure that the Authority does not have to establish an entirely new mechanism, there is a practical solution suitable for all: with the agreement of the Authority and the relevant Iraqi authorities, United Nations agencies could continue the process for a few weeks more. Such an arrangement would in no way constitute an extension of the programme; it would be simply a technical arrangement between the Coalition Provisional Authority and the agencies that would not contradict the terms of resolution 1483 (2003).

Thirdly, I would like to underscore the urgency of immediately knowing how the contracts are to be carried out after 21 November, with respect to the delivery of goods, their authentication and payment to suppliers. The continuity of deliveries in the weeks immediately following 21 November would presuppose that the suppliers have a minimum amount of visibility at this time in order to be able to plan their deliveries in Iraq. If the Coalition Provisional Authority does not say today how this group of questions are to be dealt with, it will become vulnerable to dysfunction and breakdowns in the supply chain, which will have an immediate impact on the Iraqi population.

The fourth point I wish to underscore concerns the financing of contracts, which must be carried out with the greatest transparency. We welcome the statements made by the United Nations Treasury and the United States delegation during the meetings of the 661 Committee, according to which the priority contracts will continue to be paid after 21 November, from the United Nations escrow account, on the basis of current rigorous and transparent methods. The corollary is, of course, that it is indispensable that the funds covering the priority contracts be maintained in the United Nations escrow account, whatever their status in the amendment process and whatever the status of their letters of credit. Non-discrimination among suppliers must be the rule. All priority contract holders must be paid in accordance with the same procedures. Moreover, with respect to the transfer of funds from the escrow account to the Development Fund for Iraq, it seems to us to be normal that such transfers be made only if there is sufficient transparency with respect to the use of resources placed in the Development Fund for Iraq. So far, that has not been the case, which is a matter of concern, given, in particular, the transfer last spring of $1 billion from the escrow account to the Development Fund for Iraq.

We hope that the International Advisory and Monitoring Board put in place last week — which we welcome — would rapidly carry out an audit of spending incurred. In brief, it seems essential that there be complete and accurate information, in the form of a written report, on the schedule of the volume of funds transfers to be made from the escrow account to the Development Fund for Iraq.

With respect to the last point, I wish to point to the interest of France and a great number of other members of the international community in knowing the machinery the Coalition Provisional Authority plans to put in place to replace the oil-for-food programme, in particular with respect to the delicate question of food security for the Iraqi population. That applies in particular to the delivery of humanitarian goods warehoused outside Iraq.

To conclude, I wish to convey our concern over the absence at this stage of concrete responses to what will take place after 21 November — we are now less than four weeks from the end of the programme — which gives us reasons for concern in anticipation of humanitarian and logistical difficulties. We believe that it would be particularly useful for ensuring general confidence in any machinery to be established if the 661 Committee could prepare a written document containing questions and answers for the practical use of all delegations.

The President: Before yielding back the floor to Under-Secretary-General Sevan, I would like to make a few comments in my national capacity.

First and foremost, I would like to thank the Executive Director of the United Nations Office of the Iraq Programme, Benon Sevan, for not only his useful update but the outstanding work that he and his staff have done both in New York and in the region over the years in the implementation of the Programme. Their efforts have been nothing short of outstanding. We respect them for the excellent work that has been carried out by the oil-for-food programme. As has been the case throughout the life of the United Nations oil-for-food programme, the Office of the Iraq Programme's personnel continue to demonstrate exceptional professionalism and thoroughness in their work, despite the obstacles and challenges that they face daily, and they deserve our commendation as well as our gratitude for their unique efforts.

My United Kingdom colleague has already described in some detail steps being taken by the Coalition Provisional Authority and Iraqi ministry officials in Baghdad and in northern Iraq to prepare for the upcoming transition. I would only like to add a few points.

First, I acknowledge the point raised by Mr. Sevan that a considerable range of activities remain to be undertaken by the United Nations, the Coalition Provisional Authority and the relevant Iraqi authorities to complete the transfer of remaining responsibilities under the programme to the Coalition Provisional Authority in line with the requirements of resolution 1483 (2003). I want to reassure Council members that my Government continues to devote significant resources to ensure a smooth transition from United Nations to Coalition and Iraqi control after 21 November. Many highly skilled professionals from the Department of State and other United States Government agencies, as well as colleagues from our own Mission here in New York, are in Baghdad, in northern Iraq and in Amman, working to finalize arrangements to ensure the humanitarian needs of the people of Iraq and to ensure that those needs will

continue to be met as the oil-for-food programme draws to a close.

A subject that has received considerable attention in recent days and was, of course, the subject of commentary around this table this afternoon has been the ongoing efforts to renegotiate oil-for-food contracts and to arrange for their delivery to Iraq. A number of United Nations agencies have achieved good progress in negotiating amendments to contracts previously identified by the United Nations, the Coalition Provisional Authority and Iraqi ministry representatives as containing goods of immediate utility. I note that as of 27 October, the World Food Programme, for example, has renegotiated more than 60 per cent of the contracts assigned to it; the International Telecommunications Union, 65.7 per cent; UNICEF, 76.2 per cent; and the United Nations Educational, Scientific and Cultural Organization (UNESCO), 64.8 per cent. They are also achieving good results. We would urge that other United Nations agencies devote all necessary resources to the renegotiation effort to ensure that all contracts have been amended prior to the 21 November termination of the oil-for-food programme. I hope that other delegations will join us in strongly encouraging completion of this process.

It remains imperative that all parties concerned keep focused on the renegotiation effort, as any delays will only undermine the reconstruction. For its part, the Coalition Provisional Authority will continue to honour its commitment to support the fulfilment of all prioritized contracts.

We are concerned by recent reports indicating that there has been an unusual delay in the Banque Nationale de Paris' issuance of amended letters of credit, including, in some instances, delays of several weeks. So we would urge that this situation be remedied immediately to ensure that the renegotiation process is completed on schedule.

Concerning funds in the United Nations escrow accounts, I note in the statement recently provided by the United Nations Comptroller's Office that as of 13 October, there were more than $3 billion of unencumbered funds in the 13 and 59 per cent escrow accounts. These are funds that belong to the people of Iraq and we believe that they should be used as quickly as possible to benefit them. In this regard, we would urge the Secretary-General to transfer at least $1 billion of these funds immediately to the Development Fund for Iraq to underscore the United Nations ongoing commitment to help the Iraqi people. Funds in the other United Nations accounts, including unused amounts in the 2.2 per cent account, should also be transferred to the Development Fund for Iraq as soon as possible. While we appreciate the information on the escrow accounts recently provided by United Nations Treasury officials, we urgently request that they furnish the Council with more frequent and detailed updates.

It is equally important that all States fulfil their obligations as defined under United Nations Security Council resolution 1483 (2003), to freeze and transfer to the Development Fund for Iraq all assets belonging to the previous Iraqi regime. There are significant funds currently outside Iraq, particularly in the region, that should be returned at once to provide for the immediate needs of the Iraqi people. We urge all States to comply with their responsibilities in this regard.

Given the importance of this and related issues, I recommend, as did my delegation during last Thursday's formal meeting of the Iraq Sanctions Committee, that chairman Pleuger convene weekly committee meetings from now through the 21 November termination of the oil-for-food programme, to ensure this situation remains closely monitored, including through the prompt and thorough sharing of information with all delegations as it becomes available.

I now revert to my role as President of the Council and would invite Under-Secretary-General Sevan to answer any of the questions that might have been raised or make any other comments he might wish to make.

Mr. Sevan: I also would like to thank everyone, on behalf of my colleagues, for all the kind words addressed to my office, to my colleagues in the field and to the agencies.

I would like to say one thing with regard to the prioritization of contracts: we are talking about a deadline in terms of processing amendments, rather than prioritization. Prioritization will continue up until 21 November — and I hope beyond that — and my hope is that we will be able to prioritize all the approved and funded contracts in the pipeline that have to be prioritized before that date.

I had mentioned also in my statement that we are undertaking a further review of the contracts thus far

reviewed, in order to determine whether they have been established as having relative utility or not, or if they are, for example, of questionable utility, and so on, and we want to prepare lists with different categories indicating which contracts have been prioritized, which contracts have not been prioritized and the reasons for the rejection or non-utility. Whatever it is, we will find an appropriate way of presenting such lists.

The issue that came up, of course, regards how long we can go on with the amendment process. The reason for our own Office to have set an internal deadline was because of he need to do so in order to conclude the process; but when a deadline has been established, the programme has to be completed.

Now, regarding the suggestions made by Ambassador Pleuger, Ambassador De La Sablière and others, we have taken detailed notes and we will be looking through them to see what we can do on our part with respect to matters that fall within our purview. And then of course, there are others who are also involved in this exercise, including the Council and its 661 Committee. Therefore, I will review the suggestions thoroughly with my colleagues and come up with some proposals as to how we can meet at least part if not all of the concerns expressed with regard to such issues as priorities of contracts, payments and amendments, etc.

I would like to also thank the Ambassadors of the United States and the United Kingdom for the assurances given, which I was seeking in my own statement, that they will provide all the necessary information regarding arrangements in place beyond 21 November in terms of such questions as authentication. This is necessary, at least, in view of a letter I received from the Coalition Provisional Authority's senior advisor, the Minister of Trade, stating that they expect to take a decision very soon. I hope it does come very soon, because it is only fair that we inform all the suppliers in that respect.

In terms of auditing the escrow account, as you know, pursuant to resolution 986 (1995), it was decided that an external board of auditors would do the auditing. They have been conducting audits every six months on the escrow account. In fact, there is another audit in progress as I speak for the current six months, which will be made available to Security Council members; it will be a public document. The external board of auditors will continue to do the auditing.

Concerning an issue I have been working on for a while, I would like to inform the Council that this has been: that, with regard to the 2.2 per cent assets, the Secretary-General has directed that assets purchased with the funds from the 2.2 per cent account will not be required by the United Nations for its activities relating to Iraq, either at Headquarters or in the field, and should be transferred to the Coalition Provisional Authority for the benefit of the people of Iraq.

I would like to thank you again, Mr. President, for all the support and cooperation I have been receiving from all the Members of the Security Council, its Committee, Ambassador Pleuger and his delegation, and I think we will go back to the drawing board, taking into account the suggestions made. We will come up with some suggestions in return, I hope by the end of this week, when the 661 Committee meets, unless the meeting postponed again.

The President: I thank Mr. Sevan, and before closing the meeting, I would recall that we will, of course, since this has been a regular meeting of the Council, have a complete record of this meeting very shortly, which I think will be useful to all Members, including my own delegation, in terms of being able to review the comments and questions that were raised.

We have a number of regularly scheduled meetings of the 661 Committee scheduled between now and 21 November, which I think is a positive development, and, as Ambassador Thompson mentioned, it is our intention in the near future, to talk a bit about the follow-on arrangements intended on the part of the Coalition Provisional Authority with respect to the oil-for-food programme.

Lastly, I would remind members that under resolution 1483 (2003), the Coalition also owes the Council a report before 22 November on the conduct of its operations in Iraq in general, so there are going to be a number of opportunities to review this situation with respect to the oil-for-food programme as well as other aspects of the Iraq situation.

If there are no other comments by members of the Council, I should like once again to thank Under-Secretary-General Sevan and his team for being here with us this afternoon.

The meeting rose at 5.30 p.m.